

REDEEMING THE MARKET?

Report on the public meeting held by ECCR West Midlands Group, Birmingham, 18 May 2009

Redemption requires sacrifice but leads to jubilee, to jubilation. This was the message of Rev. John Johansen-Berg at the end of ECCR West Midlands' 'Redeeming the Market?' event in Birmingham in May 2009. John was involved in bringing a shareholder resolution to Shell in the anti-apartheid days and has been involved in justice and peace ever since.

The meeting was attended by 34 people drawn from a range of church networks across the West Midlands and also from companies and the local authority. Former ECCR Board Chair Barbara Hayes introduced ECCR and chaired the event.

Rev. Patrick Gerard, an ECCR member and former British Gas executive, spoke of the impact of the bonus culture on company relationships and behaviour. The shift from a long-term incentive scheme to greater emphasis on the short term had various outcomes. Both opportunities and problems are deferred if they don't affect the current year. Real dialogue and communication suffer. Corporate culture is weakened, and objectives such as environmental issues are squeezed unless they are included in personal targets.

The bonus culture creates a short-term outlook. An addiction to money as a bonus rise, rather than its monetary value, becomes the measure of success and status. From this follows a loss of understanding of the true position of the company. All these were evident in the banking crisis. Excessive levels of executive pay raise the questions, For whose benefit is the company run? For the common good or for individual profit?

Shareholder value has been the apparent measure of corporate success for some years, and Professor Chris Mallin spoke of the evolving role of shareholders. Since 1963 the 54% of shares held by individuals has fallen to 13%; insurance and companies' shareholdings have risen to 15% and 13% respectively; overseas investment as a proportion of UK shareholdings has risen from 7% to 40%. From the early 1990s various codes have looked to institutional shareholders to influence company behaviour through dialogue and mutually agreed objectives.

The review of the Institutional Shareholders' Committee Statement of Principles encouraged engagement rather than activism and recommended that corporate governance issues be part of the investment process. The level of voting at AGMs has increased to over 60%, but resolutions at AGMs are limited in scope and in 2007 the Shareholder Voting Working Group report showed that 25% of the votes were, in any case, lost in the voting process.

Discussion followed before John reflected on the event. An economy for the common good was a key theme, and there was some encouragement that companies have not disengaged from corporate responsibility. The challenges to ECCR are to respond to the changing pattern of shareholding and to help people engage with what can be very complex ideas and issues.

ECCR West Midlands will continue to meet on a regular basis and can now invite a wider group to regular meetings. If you're in the area, please get in touch!

Barbara Hayes

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